



# WEEKLY ECONOMIC DIGEST



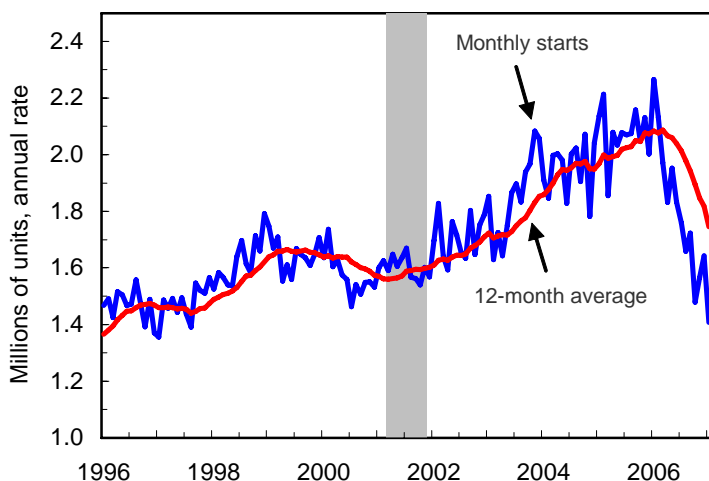
JOINT ECONOMIC COMMITTEE

SENATOR CHARLES E. SCHUMER (D-NY) — CHAIRMAN

February 16, 2007

## Housing, Retail Sales, and Industrial Production All Slowed in January

Privately Owned Housing Units Started

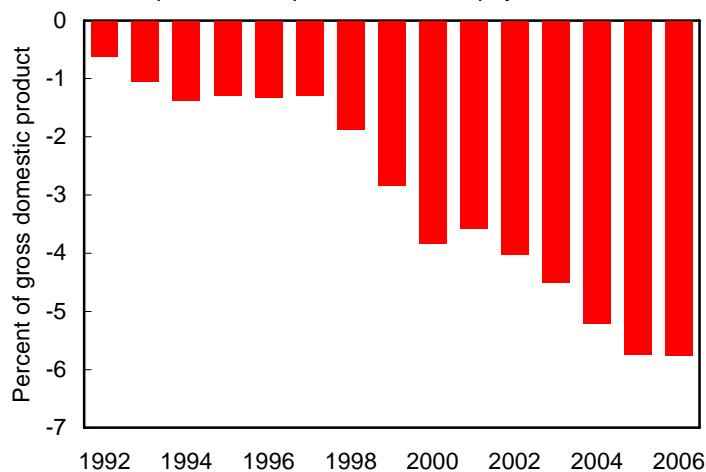


- **New homebuilding plunged in January.** The number of new privately owned housing units started fell 14.3 percent last month to 1.408 million units at an annual rate. That is the lowest level since August 1997 (see top chart) and 37.8 percent below the level a year earlier. New building permits also dropped in January, declining 2.8 percent to 1.568 million. That decline suggests that homebuilding is likely to remain weak in coming months. Permits are down 28.6 percent over the past 12 months.

- **Retail sales were flat in January.** Total sales at retail establishments and food services were unchanged last month, following a 1.2 percent gain in December. Markets had expected an increase in January of 0.3 percent. Motor vehicle sales fell by 1.2 percent and gasoline sales declined by 0.7 percent last month. Excluding motor vehicles and gasoline, retail sales were up 0.4 percent in January. That resulted in a relatively modest 4.0 percent gain over the past 12 months.

- **Industrial production fell last month.** Industrial production fell by 0.5 percent in January, following a 0.5 percent gain in December. Markets had expected no change last month. Factory production fell 0.7 percent, nearly offsetting a gain of 0.8 percent in December. Manufacturing output in January was a modest 2.6 percent above its level a year earlier.

U.S. Trade Balance in Goods and Services  
Exports less imports, balance of payments basis



- **The trade deficit widened in December.** Exports of goods and services rose by \$0.7 billion while imports increased by \$3.8 billion in December, raising the monthly trade deficit to \$61.2 billion. For all of 2006, the trade deficit was a record \$763.6 billion. Measured relative to the size of the economy, the trade deficit in 2006 was equal to 5.8 percent of gross domestic product (GDP), matching the record trade gap set in 2005 (see bottom chart). The larger-than-expected December trade deficit could contribute to a downward revision of fourth-quarter economic growth.

The Economy at a Glance	Jan	Dec	Nov	Oct	2006 Qtr 4	2006 Qtr 3	2006 Qtr 2	2006 Qtr 1	2006	2005
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	3.5	2.0	2.6	5.6	3.4	3.2
Industrial Production (% growth)	-5.8	6.2	-1.2	-2.4	-0.8	4.0	6.5	5.0	4.0	3.2
Capacity Utilization (level, %)	81.2	81.8	81.5	81.7	81.7	82.3	82.0	81.2	81.8	80.2
Civilian Unemployment Rate (level, %)	4.6	4.5	4.5	4.4	4.5	4.7	4.7	4.7	4.6	5.1
Housing Starts (thousands)	1408	1643	1565	1478	1562	1714	1873	2123	1818	2073
Real Disposable Personal Income (% growth)	n.a.	1.9	3.1	5.1	5.4	4.1	-1.5	4.6	2.7	1.2
Retail Sales (% growth)	-0.1	15.3	5.1	-2.5	0.3	3.7	3.1	13.2	6.3	7.2
Personal Saving Rate (level, %)	n.a.	-1.2	-1.0	-0.7	-1.0	-1.2	-1.4	-0.3	-1.0	-0.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)*	n.a.	6.2	0	-5.8	-2.2	2.9	5.0	2.2	3.2	3.4
Core CPI-U Inflation (% growth)*	n.a.	2.4	0	1.2	1.8	3.0	3.5	2.4	2.5	2.2
Compensation per hour (% growth)	—	—	—	—	3.2	4.1	3.6	2.4	3.1	3.3
Output per hour (% growth)	—	—	—	—	3.0	-0.1	1.2	4.3	2.1	2.3
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	4.98	4.85	4.94	4.92	4.90	4.91	4.70	4.39	4.73	3.15
T-note Rate, 10-years (level, %)	4.76	4.56	4.60	4.73	4.63	4.90	5.07	4.57	4.80	4.29
Federal Funds Rate (level, %)	5.25	5.24	5.25	5.25	5.25	5.25	4.91	4.46	4.97	3.22
Dow Jones Industrial Avg (index level)	12513	12378	12185	11963	12175	11274	11189	10996	11409	10548

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

\*Subject to revision over the next week.

### Upcoming Economic Releases:

- **Consumer Price Index: January 2007** [Release: Wednesday, February 21]
- **Minutes of January Meeting of the Federal Open Market Committee** [Wednesday, February 21]